INTERNATIONAL HARVESTER COMPANY OF CANADA, LIMITED

ANNUAL REPORT 1969

ABOVE:
Our Cub Cadet garden tractors are built like our big farm tractors. • International combines with Monitor-Control are the last word in harvest efficiency. • Comfort and flair make our light-duty trucks ideal for fun as well as work. • Construction and mining operations can keep moving in poor conditions, with exclusive Pay hauler all-wheel drive.

FRONT COVER:
The C-O Transtar is one reason why International is the leader in heavy-duty trucks. • Our turbo-charged diesel tractor has the power and efficiency required by today's farmer. • Brute strength under effortless control is the mark of the TD-25C crawler, used by the construction and resource industries. • These Solar gas turbine power units are in a Saskatchewan natural gas pumping station. • Integrated design gives this backhoe/loader exceptional staying power.

TOTAL INVOLVEMENT

You see us everywhere.

On the farm. On the truck routes and city streets. In the woods. In open pit mines. On mammoth construction projects and in housing developments. In manufacturing and processing plants. On vacation trails. And in your neighbour's garden.

Our cover pictures tell a small part of this very big story. They show the five branches of the International Harvester family: farm equipment . . . motor trucks . . . construction equipment . . . industrial equipment . . . and gas turbine power units.

From this exceptionally broad product range comes total involvement in the Canadian economy . . . and in the daily lives of millions of Canadians.

SUMMARY OF 1969

	1969	1968
SALES	\$260,938,000	\$223,194,000
NET INCOME	\$ 3,261,000	\$ 5,596,000
Per cent of Sales	1.25%	2.51%
Per cent of Equity Capital—Beginning of Year	3.63%	6.52%
DIVIDENDS PAID	\$ 2,850,000	\$ 1,550,000
INCOME RETAINED	\$ 411,000	\$ 4,046,000
TAXES—FEDERAL, PROVINCIAL AND LOCAL	\$ 16,041,000	\$ 14,769,000
CAPITAL EXPENDITURES	\$ 4,332,000	\$ 3,724,000
DEPRECIATION	\$ 4,463,000	\$ 4,574,000
LONG-TERM DEBT	\$ 5,854,000	\$ 7,739,000
EQUITY CAPITAL AT END OF YEAR	\$ 90,251,000	\$ 89,840,000
AVERAGE NUMBER OF EMPLOYEES	6,189	6,363

CONTENTS

International Harvester Company of Canada, Limited
Annual Report
for year ended
October 31, 1969.

DIRECTORS AND OFFICERS *at December 31, 1969*

BOARD OF DIRECTORS

Charles C. Brannan
Robert H. Burnside
William E. Callahan
Fred H. Cobb
W. Duncan Drummond
William R. Fleming
Brooks McCormick
Robert D. Musgjerd
Daryl B. Oldaker
W. Norman Smith

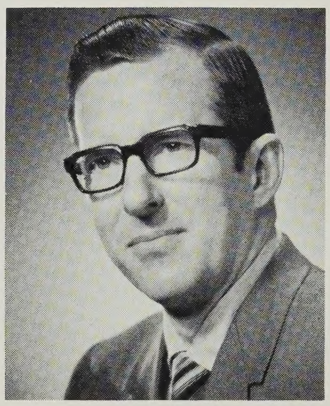
OFFICERS

Robert D. Musgjerd	*President*
W. Duncan Drummond	*Vice President, Operations*
William R. Fleming	*Vice President, Motor Truck Sales*
W. Norman Smith	*Vice President, Finance*
Fred H. Cobb	*Comptroller*
William Haslam	*Treasurer*
Earle L. Edmonds	*Secretary*

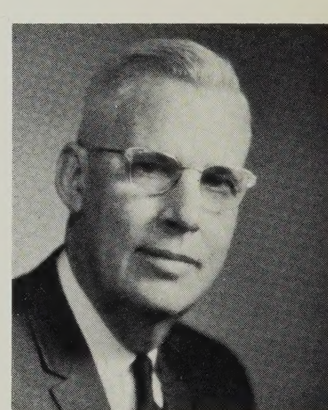
OTHER EXECUTIVES

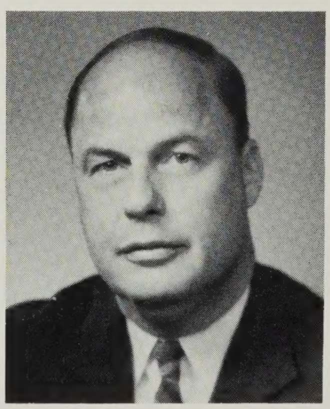
John L. Wade	*Director of Sales, Farm Equipment and Construction Equipment*
T. Donald Husband	*Manager, Motor Truck Sales*
Alex R. McCombe	*Manager, Construction Equipment Sales*
Charles J. Munro	*Manager, Farm and Industrial Equipment Sales*
Lawrence J. Murphy	*Manager, Credits and Collections*
Ronald E. Penfold	*Manager, Engineering*
Emerson A. Welles	*Manager, Manufacturing*
Charles W. Wolfard	*Manager, Supply and Inventory*

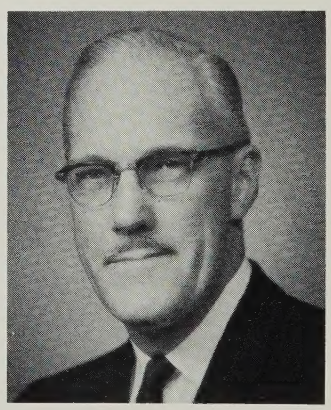
EXECUTIVE COMMITTEE

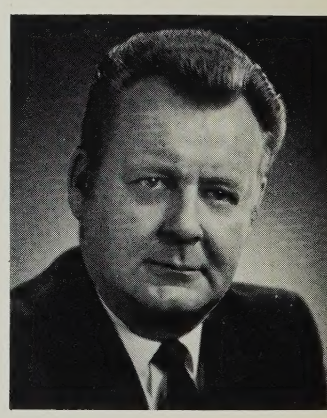

Fred H. Cobb


W. Duncan Drummond


Earle L. Edmonds

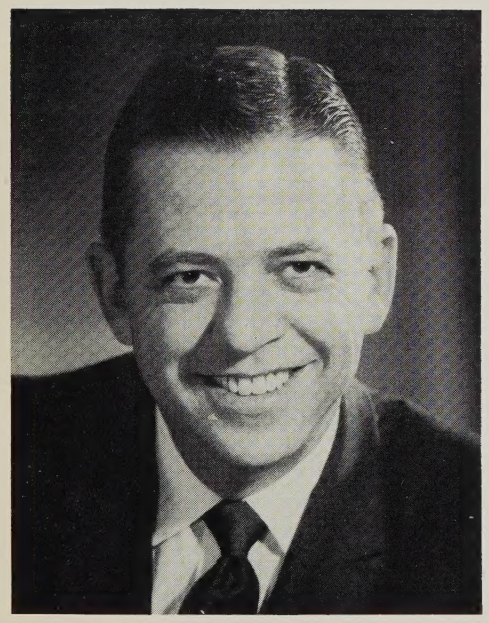

William R. Fleming


W. Norman Smith


John L. Wade

	1969	1968
Sales	$260,938,000	$223,194,000
Net Income	3,261,000	5,596,000
Capital Expenditures	4,332,000	3,724,000

THE PRESIDENT'S LETTER



ROBERT D. MUSGJERD

1969 was a year of major achievements and perplexing problems for our Company.

Sales of trucks, truck service parts and service reached the highest level in our Company's history.

Construction equipment sales approached the record established in 1966. Our plant in Candiac, Quebec, succeeded in doubling its output to meet the demand for Hough rubber-tired loaders.

Sales of industrial tractors, loaders and skidders reached an all-time high. Our new line of garden tractors exceeded all sales expectations.

However, our farm equipment sales continued to suffer from the depressed global wheat market. Our sales in Eastern Canada were quite satisfactory, but were not able to compensate for reduced sales in the Prairie Provinces.

While there was a slight reduction in export sales of farm equipment, truck exports to the United States were almost double those of any previous year. This resulted from the finalization of production sharing arrangements with U.S. plants, under the terms of the Automotive Trade Agreement.

Our Company's total sales were the highest in history. However, we continued to experience declining profits.

Rapid increases in the cost of labour, materials and money could not be fully recovered through increased productivity and price adjustments.

We are embarking on comprehensive profit improvement programs designed to reduce costs in all areas of our operations; manufacturing, sales and distribution and administration.

Current economic forecasts indicate that 1969 market conditions for our products will continue into the coming year.

We anticipate continued increases in domestic sales of trucks, construction equipment and industrial equipment. All of these product lines are geared to the economic development of the country as a whole.

However, we cannot foresee any major improvements in our domestic sales of farm equipment in 1970, unless there is a sudden and unexpected break in the world wheat market. We anticipate good demand for farm equipment in Eastern Canada and British Columbia and we expect that our overall domestic farm equipment sales will be comparable to the 1969 level.

We look for continued growth in our export sales next year. There should be substantial increases in our exports of farm equipment to the United States. There will also be moderate increases in our truck exports to that country. The Canadian-engineered 500C crawler will be exported in larger numbers. Moreover, we will be exporting logging skidders in major quantities for the first time.

As we enter the challenging seventies, we are confident that our Company, together with our dealers and distributors, will continue to grow, and make an even greater contribution to the development of Canada.

On behalf of the Board of Directors and members of management, I want to thank all International Harvester employees for their efforts in this past year. We look forward to their continued support to make 1970 a successful year.

R. D. MUSGJERD,
President

January 7, 1970

SUMMARY OF 1969 OPERATIONS

TRUCK SALES INCREASE 34 PER CENT

The 1969 sales volume of International trucks, service parts and service constitutes a new record for our Company. Both domestic and export sales were the highest in our history.

Domestic sales were 16 per cent over the 1968 level. Increases were registered for all our truck lines, but gains were most pronounced in the heavy-duty range. Our sales of diesel models increased by 67 per cent due in large part to our expanding network of specialized diesel service centers.

Export sales doubled in 1969. This increase resulted from our participation in the Canada-United States Automotive Trade Agreement. Our rationalization of production at Chatham Works was completed in 1969. Almost 70 per cent of the trucks built there were exported to the United States. Chatham Works produces total North American demand for a popular medium-duty series of cab-over-engine trucks, as well as all Canadian and some U.S. requirements for a series of regular medium-duty trucks. The Canadian-engineered DF-480 for specialized heavy-duty application is also manufactured in Chatham.

Heavy-duty Sales Substantially Higher

1969 was a boom year in the Canadian truck market. Industry sales of heavy-duty trucks were up by about 22 per cent. International secured over 25 per cent of the total heavy-duty registrations. We also increased our participation in the medium-duty market, although there was no appreciable industry growth in this field.

The light-duty market experienced the most dramatic growth in 1969. Although we maintained our participation, we have not traditionally enjoyed a large share of the light-duty market.

New Models Introduced

Early in 1970, we will introduce a new series of medium-duty cab-over-engine trucks. This is the Cargostar which has a wide, modern cab and important chassis improvements. It will be available with single and tandem axles and with diesel and gasoline engines. The Cargostar will be manufactured for the total North American market at Chatham Works, which also has engineering responsibility for this model series.

Our Company recently announced a major development in innovative truck design, with the Unistar. This totally new heavy-duty diesel truck is the first practical 4-wheel drive unit for the highway truck transportation industry. When the truck encounters steep grades or slippery surfaces, a sensing device automatically engages the 4-wheel drive for extra traction. The 4-wheel drive traction will also assist in the movement of heavy loads at acceptable highway speeds. In addition, the Unistar provides for efficient hauling of single or double trailers, for total equipment utilization.

We anticipate further growth in Canada's truck market in 1970, and have no doubt that our products will effectively meet the changing needs of our customers.

FARM EQUIPMENT SALES LOWER

Our total farm equipment sales were down by 8 per cent in 1969. Most of this decline was experienced in the domestic market.

One factor in this decline was the lengthy strike at Hamilton Works which extended from late 1968 into 1969.

Even more serious has been the continuing depressed condition in Western Canada, which traditionally accounts for over half of our domestic farm equipment sales volume. The drastic decline in global wheat demand has severely affected the purchasing power of the prairie farmer. The world wheat situation continues to be uncertain, and it cannot be predicted when the prairie economy will return to its former buoyancy. However, farm equipment sales in other parts of the country were satisfactory in 1969 and should continue strong in 1970.

Exports of Hamilton-built products represent about 35 per cent of our total farm equipment sales. Though exports were somewhat lower in 1969, the decline was not as pronounced as for domestic sales. A significant increase in exports is forecast for 1970.

More than 90 per cent of our newly introduced 500C crawlers will be exported. This Canadian-

designed product is manufactured at our Hamilton Works. It incorporates features such as power-shift transmission not normally available in 40-45 horsepower crawlers. It is available with diesel or gasoline power, and with a wide variety of equipment.

Several new products have further improved our competitive position.

The 1456 turbo-diesel tractor is a 130 horse-power unit that has the handling ease of a tractor half its size. Its power, strength and speed make it the ideal unit for large farming operations. The 90 horsepower 826 tractor with gas or diesel power is available with hydrostatic drive. International was the first to offer farm tractors with hydrostatic drive, which provides an infinite range of speed with one control lever. Efficient performance and ease of operation are making hydrostatic drive an increasingly popular feature in farm tractors.

The big new International self-propelled 815 and 915 combines can justifiably be called the most productive combines on the market. Among their most original features is the Monitor-Control system that takes the guesswork out of combining by giving the operator instant information on every aspect of operation, together with controls for immediate corrective action.

There were several adjustments in the Company's district sales organization during the year. Calgary district functions were consolidated with the Edmonton district which now serves the provinces of Alberta and British Columbia.

CONSTRUCTION EQUIPMENT SALES INCREASE 12 PER CENT

Construction equipment sales were the second highest in our history. We fully expect to surpass all previous records in 1970.

The most impressive growth has been in our rubber-tired Pay loader line. Our Candiac plant doubled its rate of production towards the middle of the year to meet the sales demand.

With models spanning the full range of horse-power and bucket sizes, the Pay loader is a dominant factor in the trend to versatile rubber-tired equipment.

1969 saw the introduction of several additions to the Pay loader family. The new model H-80 is an articulated loader with a 3 cubic yard capacity bucket. The articulated H-400B is a new version of the giant of our line, with a 700 horsepower diesel engine and a 10 cubic yard bucket.

In 1970, Candiac Works will produce the entire North American requirements of the S-7C Pay logger, a logging skidder that is finding increasing acceptance in the forest industries.

The International and Hough line of crawler tractors, crawler loaders, together with the rubber-tired loaders, pushers, dozers, scrapers and off-highway trucks, is the most comprehensive in the industry. This product line, together with our effective distributor organization, will ensure our growing participation in the construction equipment market in the seventies.

This farm equipment dealership reflects the trend to modern merchandising techniques.

The nation's most comprehensive service network contributes to our leadership in heavy-duty trucks.

A fleet of Pay haulers provides an impressive display at this construction equipment distributor headquarters.

INDUSTRIAL EQUIPMENT AND GARDEN TRACTOR SALES UP

Sales of International industrial tractors, loaders, skidders and related equipment reached an all-time high in 1969. We are confident that this segment of our business will enjoy accelerated growth, as the industrial equipment market expands with the economy as a whole.

Typical of our product line is the new 8000 series of forklift tractors. This heavy-duty machine has a capacity of three tons, operates to a height of 28 feet and is available with a wide variety of specialized attachments.

A new and improved series of International Cub Cadet garden tractors was introduced in 1969. Market acceptance and sales exceeded all expectations. A wide range of mowers, snow-blowers, blades, rototillers and other matched attachments gives these tractors very broad year-round appeal.

Particularly popular are the larger models with hydrostatic drive for effortless one-lever control of an infinite speed range. The Cadet 60, the smallest model tractor in the line, has also been very well received.

An active dealer recruitment program is further improving our position in the industrial equipment and garden tractor markets.

SOLAR PRODUCTS SALES INCREASE

The sale of Solar equipment continued to expand in 1969. The Solar line consists primarily of gas turbine engines used in stationary power applications. They are increasingly popular in pumping

stations for petroleum products and for stand-by electrical power. There will undoubtedly be continued growth for this product line, as the gas turbine concept gains further acceptance.

NEW COMPANY RETAIL OUTLETS

A new company-owned store was opened in Chicoutimi, Quebec, to sell and service motor trucks, industrial equipment and garden tractors.

Our new store in Charlottetown, P.E.I., offers the full line of farm equipment, motor trucks, industrial equipment and garden tractors.

SERVICE PARTS DISTRIBUTION SYSTEM STREAMLINED

Several steps were taken in 1969 as a part of our long range program to further improve our parts distribution system. In order to provide more fully co-ordinated service, the functions of Montreal Parts Depot were transferred to the master parts depot in Burlington.

All construction equipment parts distribution was centralized in the Burlington depot.

The parts inventories maintained by our distributors, dealers and branches will continue to be backed by our parts depots in Edmonton, Winnipeg and Burlington, as well as by our Saskatoon facility.

EMPLOYMENT SLIGHTLY LESS IN 1969

Average total employment of the Company declined somewhat, from 6,363 in 1968 to 6,189 in 1969. An increase in plant production was offset by the realignment of distribution facilities during the year.

Several labour contracts signed in 1969 completed the series of settlements in our plants, parts depots and service centers which began in 1968.

Total wage and benefit payments made by the Company to production and plant maintenance employees averaged $4.69 per hour worked. This total consists of an average basic wage of $3.49 per hour, plus $1.20 per hour. This covers night premium payments, together with Company benefit plans such as vacations, holidays, retirement, insurance, hospitalization and other items.

PRESIDENTIAL CHANGE

Robert D. Musgjerd was elected president of International Harvester Company of Canada, Limited, upon the retirement of Mr. C. C. Brannan. Mr. Musgjerd began his career with International Harvester Company in 1947 and was appointed assistant to the president of our Company in 1968. Earlier this year he was elected to the Board of Directors.

Mr. Brannan has consented to continue as a Director of the Company and will act as a consultant on special projects.

He joined the Company 44 years ago in Brandon, Manitoba. After serving in many key management posts at district and general office levels, Mr. Brannan was elected to the Board of Directors in 1959 and in 1962 was elected president.

Under Mr. Brannan's leadership, the Company made substantial gains in many directions. During his seven years as president, the Company's business virtually doubled. Manufacturing plants in Hamilton and Chatham were enlarged and modernized. A new plant was opened in Candiac, Quebec. Sales and service facilities were expanded and improved to meet changing marketing conditions.

EXECUTIVE CHANGES

Robert H. Burnside was elected to the Board of Directors replacing Omer G. Voss, executive vice president, International Harvester Company. Mr. Burnside is group vice president, International Harvester Company.

Brooks McCormick, president, International Harvester Company, was elected to the Board of Directors replacing James J. Harrington, assistant comptroller, International Harvester Company.

Ralph M. Buzard resigned from the Board of Directors. Mr. Buzard, who was executive vice president, International Harvester Company, has retired.

John L. Wade was appointed director of Sales, Farm Equipment and Construction Equipment. Mr. Wade was manager of Construction Equipment Sales.

T. Donald Husband, formerly assistant manager of Motor Truck Sales, was appointed manager of Motor Truck Sales.

Alex R. McCombe was appointed manager of Construction Equipment Sales.

BASIS OF FINANCIAL STATEMENTS

FINANCE SUBSIDIARY

The net income of the finance subsidiary, International Harvester Credit Corporation of Canada Limited and its income retained have been combined herein with those of the International Harvester Company of Canada, Limited. The equity capital of the finance subsidiary appears as an investment in the Statement of Financial Condition. A separate Statement of Financial Condition of the subsidiary is on page 16.

INVENTORY VALUATION

Inventories have been valued at the lower of cost or market, market being considered as replacement cost, which does not exceed net realizable value.

DEPRECIATION

Depreciation has been computed by the declining balance method at rates generally calculated to absorb the cost of property during the period of its useful life.

AUDITORS' OPINION

DELOITTE, PLENDER, HASKINS & SELLS
CHARTERED ACCOUNTANTS
105 MAIN STREET EAST HAMILTON, ONTARIO

To the Shareholders of
International Harvester Company of Canada, Limited:

We have examined the Statement of Financial Condition of International Harvester Company of Canada, Limited as at October 31, 1969 and the Statement of Income and Income Retained for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have made a similar examination of the Statement of Financial Condition of the Company's wholly-owned non-consolidated finance subsidiary, International Harvester Credit Corporation of Canada Limited as at October 31, 1969.

In our opinion these financial statements present fairly (a) the financial position of International Harvester Company of Canada, Limited as at October 31, 1969 and the results of its operations for the year then ended, and (b) the financial position of the Company's wholly-owned non-consolidated finance subsidiary, International Harvester Credit Corporation of Canada Limited as at October 31, 1969, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells

December 18, 1969.

International Harvester Company of Canada, Limited

STATEMENT OF INCOME AND INCOME RETAINED For the Years Ended October 31, 1969 and 1968

	1969	1968
SALES AND OTHER REVENUES		
Sales		
Dealers and users in Canada	$184,437,951	$168,938,018
International Harvester Company	74,482,827	51,668,465
Other affiliated companies and jobbers	2,016,825	2,587,927
	260,937,603	223,194,410
Net income of finance subsidiary (page 16)	2,071,296	1,586,334
Other income, less sundry income deductions	203,694	466,345
Total	263,212,593	225,247,089
COSTS AND EXPENSES		
Cost of sales	232,290,618	192,135,820
Selling and administrative expenses	20,747,560	19,351,312
Charges for financing services on wholesale notes sold to the finance subsidiary	4,772,499	4,428,331
Interest expense	893,472	760,866
Taxes on income (page 13)	1,246,897	2,974,913
Total	259,951,046	219,651,242
NET INCOME	3,261,547	5,595,847
DIVIDENDS PAID (page 12)	2,850,000	1,550,000
INCOME RETAINED—FOR THE YEAR	411,547	4,045,847
—AT BEGINNING OF THE YEAR	74,839,544	70,793,697
—AT END OF THE YEAR	$ 75,251,091	$ 74,839,544

The information referred to by page number above and the Basis of Financial Statements presented on page 8 are an integral part of this statement.

International Harvester Company of Canada, Limited

STATEMENT OF FINANCIAL CONDITION OCTOBER 31, 1969 AND 1968

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	$ 96,044	$ 95,881
Demand notes receivable from finance subsidiary	3,100,000	11,075,000
Receivables		
Trade accounts	12,603,284	9,595,916
Miscellaneous	1,154,505	1,506,818
Due from affiliated companies	3,722,171	213,375
Due from finance subsidiary	2,157,871	1,167,093
Inventories	54,219,375	54,977,949
Total current assets	77,053,250	78,632,032
INVESTMENT IN FINANCE SUBSIDIARY		
(Statement of Financial Condition on page 16)		
Equity in net assets	15,062,909	14,191,613
OTHER ASSETS	1,578,495	1,532,829
PROPERTY (page 13)		
Real estate, machinery and equipment—at cost	65,449,148	63,865,238
Less accumulated depreciation	35,956,054	34,040,756
Net property	29,493,094	29,824,482
TOTAL ASSETS	$123,187,748	$124,180,956

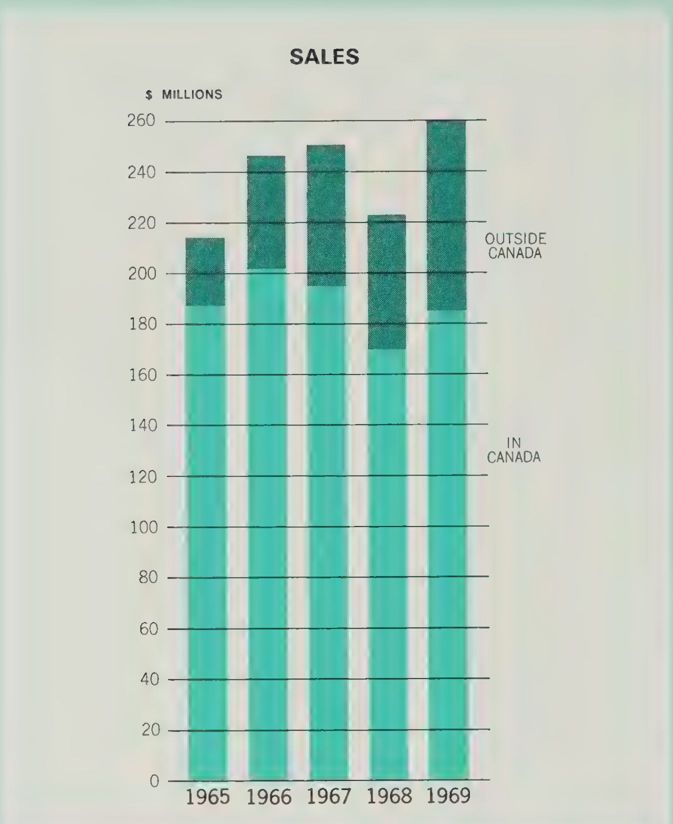
The information referred to by page number above and the Basis of Financial Statements presented on page 8 are an integral part of this statement.

LIABILITIES AND EQUITY CAPITAL

	1969	1968
CURRENT LIABILITIES		
Bank indebtedness	$ 1,436,574	$ 992,832
Current invoices and accruals	14,119,328	13,553,587
Accrued taxes	2,029,498	2,496,376
Current maturities of long-term debt	1,884,700	1,613,537
Due to affiliated companies	7,327,457	7,367,352
Total current liabilities	26,797,557	26,023,684
LONG-TERM DEBT		
5¼% notes—maturing November 1, 1973 payable in equal semi-annual instalments	2,600,000	3,400,000
6% note—maturing December 31, 1972 payable in semi-annual instalments (U.S. 1969—$3,000,000; 1968—$4,000,000)	3,254,100	4,338,728
Total long-term debt	5,854,100	7,738,728
DEFERRED INCOME TAXES (page 13)	285,000	579,000
EQUITY CAPITAL		
Capital stock		
Authorized, issued and fully paid—150,000 shares of $100 par value	15,000,000	15,000,000
Income retained (page 12)	75,251,091	74,839,544
Total equity capital	90,251,091	89,839,544
TOTAL LIABILITIES AND EQUITY CAPITAL	$123,187,748	$124,180,956

Approved on behalf of the Board: R. D. Musgjerd, Director
F. H. Cobb, Director

FINANCIAL REVIEW



SALES HIGHER

Sales in 1969 totalled $260,938,000. This represents an increase of $37,744,000 over 1968 which is a growth of almost 17 per cent. Greater sales were achieved in both our domestic and export markets with truck sales registering the largest gain in both areas. Construction equipment sales were also considerably greater in 1969 than in 1968. Sales of farm equipment did not attain the levels reached in 1968.

EARNINGS DOWN

Earnings dropped from $5,596,000 in 1968 to $3,261,000 in 1969. Profit margins were narrowed by the increased costs of material and by greater labour costs and more liberal fringe benefits which became part of the new labour agreements signed in 1968 and 1969. In the short run, we have been unable to recover these increased costs through price adjustments, productivity and/or higher sales volume.

DIVIDENDS PAID

A change in policy regarding the timing in declaration and payment of dividends was made in 1969. The total dividends paid were $2,850,000, of which $1,400,000 was applicable to 1968 net income.

INCOME RETAINED

The balance in Income Retained at October 31, 1969 was $75,251,000 as compared with $74,840,000 at the close of the previous fiscal year. The amount retained for the 1969 fiscal year was $411,000. This compares with $4,046,000 for the prior year.

At October 31, 1969 $35,216,000 of International Harvester Company of Canada, Limited Income Retained was restricted as to payment of cash dividends by a long-term debt agreement covering its 5¼% notes.

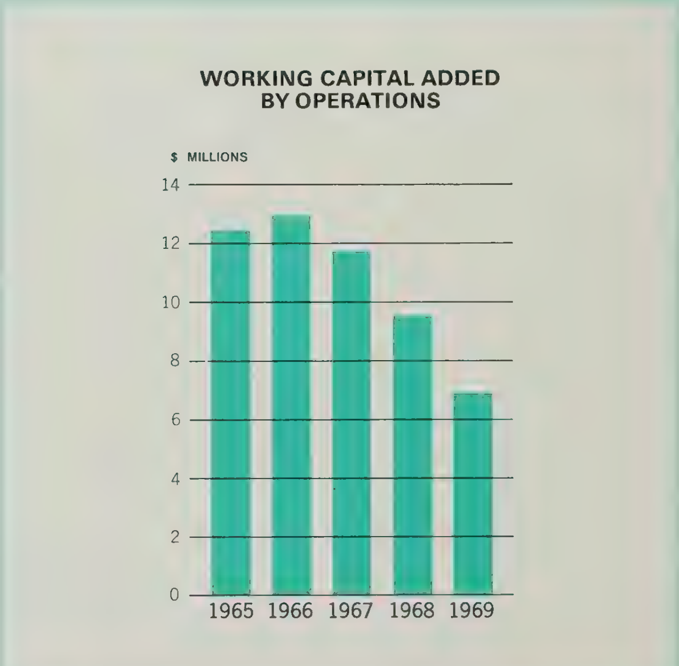
WORKING CAPITAL LOWER

Working capital of the Company (current assets minus current liabilities) decreased by $2,353,000 in 1969—from $52,608,000 at the beginning of the year to $50,255,000 at the end of the year.

An analysis of working capital added by operations of the past two years appears below:

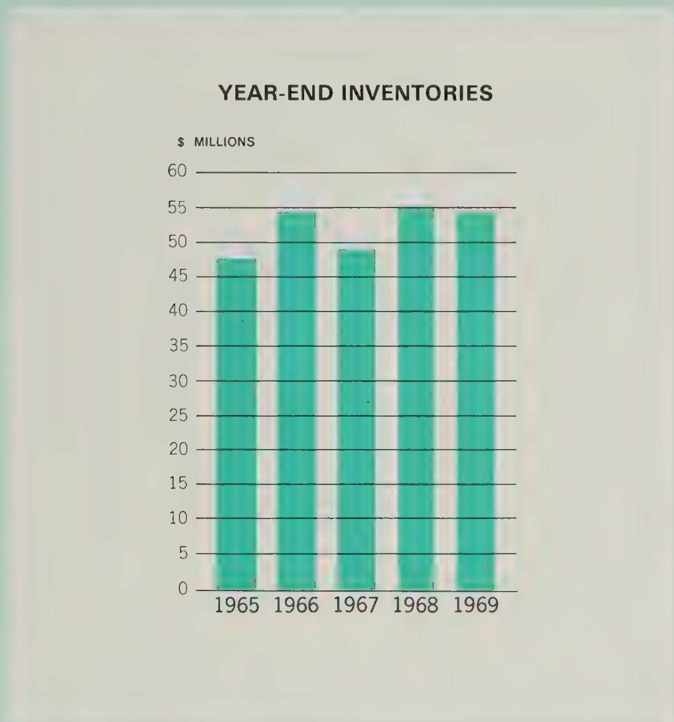
	1969	1968
Net income of Company	$1,190,000	$4,010,000
Dividends from finance subsidiary	1,200,000	950,000
Depreciation	4,463,000	4,574,000
Total	$6,853,000	$9,534,000

Data for a ten-year period regarding funds derived from all sources, including those generated by operations and funds disposed of, appear on page 14.



INVENTORIES LOWER

Inventories at the end of the current fiscal year amounted to $54,219,375 compared with $54,977,949 at October 31, 1968, a decrease of 1.4 per cent. Inventories consist of approximately 63 per cent finished machines, attachments and service parts with the remainder made up of raw materials, supplies and work-in-process.



CAPITAL EXPENDITURES GREATER

Capital expenditures increased from $3,724,000 in 1968 to $4,332,000 in 1969. The effects of these expenditures and of other factors, including depreciation, upon the property account are displayed on the accompanying schedule:

Net property at October 31, 1968		$29,824,000
Changes during 1969 fiscal year		
Capital additions	$4,332,000	
Depreciation	(4,463,000)	
Net book value of property dispositions	(200,000)	
Net decrease during the year		(331,000)
Net property at October 31, 1969		$29,493,000

It is anticipated that capital expenditures in 1970 will exceed those of 1969 by a nominal amount. At October 31, 1969 appropriated balances carried forward totalled $3,369,000. Commitments on appropriations in progress at October 31, 1969 approximated $1,522,000.

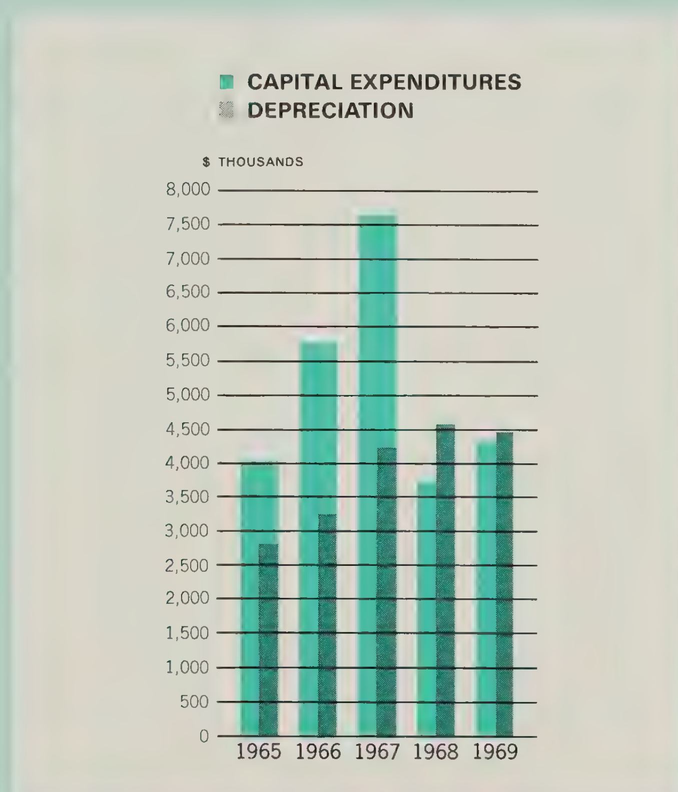
INCOME TAXES

Income tax expense was $1,247,000 in 1969 compared to $2,975,000 in 1968.

Tax audits have been completed and settled through the 1967 fiscal year for the Company and its finance subsidiary.

DEFERRED INCOME TAXES

The Company and its finance subsidiary follow the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income taxes are actually payable. This practice was adopted in 1968, and the resulting adjustment of $609,605 in 1969, and $534,805 in 1968, (of which $442,105 in 1969 and $425,805 in 1968 is attributable to the finance subsidiary), has been recorded over a two-year period.



RETIREMENT PLANS

The Company has retirement plans in effect for eligible salaried and hourly-rated employees. The estimated unfunded liability in respect of past service benefits at October 31, 1969 was $21,100,000 which is being amortized over twenty-five years from January 1, 1964. Contributions charged to income by the Company in respect of these plans were: 1969—$3,312,000; 1968—$2,147,000.

International Harvester Company of Canada, Limited

STATISTICAL DATA *(Dollar amounts in millions)*

	1969	1968	1967
SALES BY AREA OF FINAL SALE			
Canada	$184.4	$169.0	$193.8
United States	74.5	51.7	53.7
Europe and Africa	.3	.9	.8
Latin America	1.1	.7	.6
Pacific Area	.6	.9	1.1
Total	$260.9	$223.2	$250.0
NET INCOME			
Amount	$ 3.3	$ 5.6	$ 8.0
Per cent of sales	1.25%	2.51%	3.21%
Per cent of equity capital	3.63%	6.52%	9.87%
WORKING CAPITAL CHANGES			
From operations—Note 1	$ 6.9	$ 9.5	$ 11.8
Added by increase in long-term debt	—	3.5	—
Effect of changes in other assets, etc. (net)	(.1)	.3	.2
Total	6.8	13.3	12.0
Used for:			
Capital expenditures	4.3	3.7	7.6
Common stock dividends	2.9	1.6	3.6
Retirement of long-term debt	1.9	—	.8
Total	9.1	5.3	12.0
Increase or (decrease)	$ (2.3)	$ 8.0	$ —
DEPRECIATION	$ 4.5	$ 4.6	$ 4.2
EQUITY CAPITAL AT END OF YEAR—OCTOBER 31			
Common stock	$ 15.0	$ 15.0	$ 15.0
Income retained	75.3	74.8	70.8
Total equity capital	$ 90.3	$ 89.8	$ 85.8
REPRESENTED BY			
Current assets	$ 77.1	$ 78.6	$ 65.3
Less: Current liabilities	26.8	26.0	20.7
Working capital	50.3	52.6	44.6
Property (net)	29.5	29.8	31.0
Investment in finance subsidiary	15.1	14.2	13.6
Other assets	1.6	1.5	1.6
Total	96.5	98.1	90.8
Less:			
Long-term debt	5.9	7.7	4.2
Deferred income taxes	.3	.6	.8
Provision for employees' retirement benefits	—	—	—
Total	6.2	8.3	5.0
Total net assets	$ 90.3	$ 89.8	$ 85.8
RATIOS			
Current assets to current liabilities	2.9-1	3.0-1	3.2-1
Equity capital to long-term debt	15.3-1	11.7-1	20.4-1

Note 1. On page 12 under the section "Working Capital" there is shown, as to 1969 and 1968, an analysis of working capital generated by operations.

1966	1965	1964	1963	1962	1961	1960
$200.9	$186.5	$170.1	$149.8	$129.7	$123.2	$134.0
42.6	25.0	22.6	22.9	22.9	17.1	21.3
.4	.4	.7	.7	.7	1.5	.3
.5	.6	.9	.5	.2	.5	.2
1.3	1.1	1.1	.5	.2	1.1	.5
$245.7	$213.6	$195.4	$174.4	$153.7	$143.4	$156.3
$ 10.2	$ 9.8	$ 9.9	$ 9.3	$ 7.1	$ 4.7	$ 5.1
4.15%	4.59%	5.07%	5.33%	4.62%	3.28%	3.26%
13.28%	13.12%	14.10%	14.51%	11.91%	8.17%	9.12%
$ 12.9	$ 12.4	$ 12.0	$ 11.4	$ 9.4	$ 6.8	$ 7.6
—	—	—	—	—	—	—
(1.2)	.2	(.6)	(1.5)	.1	(.2)	(1.2)
11.7	12.6	11.4	9.9	9.5	6.6	6.4
5.8	4.0	3.0	4.3	2.1	3.6	4.3
5.6	7.7	5.4	5.0	2.6	2.5	3.5
.4	.8	.8	.8	.8	.8	.8
11.8	12.5	9.2	10.1	5.5	6.9	8.6
$ (.1)	$ .1	$ 2.2	$ (.2)	$ 4.0	$ (.3)	$ (2.2)
$ 3.2	$ 2.8	$ 2.5	$ 2.6	$ 2.6	$ 2.6	$ 2.9
$ 15.0	$ 15.0	$ 15.0	$ 15.0	$ 15.0	$ 15.0	$ 15.0
66.4	61.8	59.7	55.2	49.1	44.6	42.5
$ 81.4	$ 76.8	$ 74.7	$ 70.2	$ 64.1	$ 59.6	$ 57.5
$ 66.7	$ 69.8	$ 65.5	$ 64.4	$ 61.1	$ 52.7	$ 53.4
22.1	25.1	20.9	22.0	18.6	14.2	14.6
44.6	44.7	44.6	42.4	42.5	38.5	38.8
27.7	25.3	24.2	23.9	22.7	23.4	22.5
13.1	11.6	11.3	9.9	9.5	9.2	8.7
1.6	1.1	1.1	1.1	.9	1.0	1.0
87.0	82.7	81.2	77.3	75.6	72.1	71.0
5.0	5.4	6.2	7.0	7.8	8.6	9.4
.6	.5	.3	.1	—	—	—
—	—	—	—	3.7	3.9	4.1
5.6	5.9	6.5	7.1	11.5	12.5	13.5
$ 81.4	$ 76.8	$ 74.7	$ 70.2	$ 64.1	$ 59.6	$ 57.5
3.0-1	2.8-1	3.1-1	2.9-1	3.3-1	3.7-1	3.7-1
16.3-1	14.2-1	12.0-1	10.0-1	8.2-1	6.9-1	6.1-1

International Harvester Credit Corporation of Canada Limited

STATEMENT OF FINANCIAL CONDITION OCTOBER 31, 1969 AND 1968

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	$ 101,028	$ 113,237
Notes receivable		
Wholesale (less deferred discounts and unearned interest of $530,311 in 1969 and $445,729 in 1968)	55,686,954	48,415,576
Retail (less unearned finance charges of $7,550,786 in 1969 and $6,732,076 in 1968)	51,179,512	42,093,570
	106,866,466	90,509,146
Less allowance for losses	1,660,051	1,476,335
Notes receivable (net)	105,206,415	89,032,811
Refundable Federal tax	12,824	48,426
Total current assets	105,320,267	89,194,474
PREPAID INTEREST AND OTHER ASSETS	121,722	365,808
DEFERRED INCOME TAXES	867,910	425,805
Total assets	$106,309,899	$89,986,087

LIABILITIES AND EQUITY CAPITAL

	1969	1968
CURRENT LIABILITIES		
Notes and loans due within one year (includes due to affiliates of $12,515,421 in 1969)	$ 63,298,921	$43,329,300
Demand notes payable—parent company	3,100,000	11,075,000
Accounts payable (including parent company of $2,157,871 in 1969 and $1,167,093 in 1968)	2,237,781	1,257,266
Accrued taxes	839,979	454,284
Accrued interest	514,742	268,230
Dealers' contingency credits	1,144,754	1,015,081
Total current liabilities	71,136,177	57,399,161
SENIOR INDEBTEDNESS		
Debentures—5¾% due 1984 or prior	11,000,000	11,000,000
SUBORDINATED INDEBTEDNESS		
Notes—6% to 7¾% due 1984 or prior (includes due to affiliates of U.S. $6,600,000 in 1969 and U.S. $5,000,000 in 1968)	9,110,813	7,395,313
EQUITY CAPITAL		
Capital stock		
Authorized—250,000 shares of $100 par value—issued and fully paid 100,000 shares	10,000,000	10,000,000

Income retained	1969	1968
Balance, beginning of year	$4,191,613	$3,555,279
Net income for the year	2,071,296	1,586,334
Less cash dividends	(1,200,000)	(950,000)

	1969	1968
Balance, end of year	5,062,909	4,191,613
Total equity capital	15,062,909	14,191,613
Total liabilities and equity capital	$106,309,899	$89,986,087

Approved on behalf of the Board: W. N. Smith, Director

R. D. Musgjerd, Director

Basis of Financial Statements

RECEIVABLES. At October 31, 1969 wholesale notes receivable included $4,137,727 which will mature after October 31, 1970, of which none will mature after October 31, 1971 and retail notes receivable included $30,237,615 maturing after October 31, 1970, of which $13,537,667 will mature after October 31, 1971.

DEFERRED INCOME TAXES. The Company follows the accounting practice of providing the total amount of income taxes applicable to the income reported in the year regardless of the year in which the income tax is actually payable. This practice was adopted in 1968 and the resulting adjustment of $442,105 in 1969, and $425,805 in 1968 has been recorded over a two-year period, which generally coincides with the average life of the Company's notes receivable.

NET INCOME. Earnings on wholesale notes are derived from carrying charges based on the monthly note balances and from a discount which the Company takes into income upon settlement of the notes.

Finance charges included in retail notes are taken into income over the life of the notes.

INDEBTEDNESS. Dividend distribution under the provisions of the loan agreements relating to the senior and subordinated indebtedness is restricted to approximately $840,000 at October 31, 1969 and $3,400,000 at October 31, 1968.

Muscling tree-length logs out of the woods is routine for the Pay logger. • This newest Canadian-designed hay swather is speeding farm operations all over North America. • The Fleetstar-A series has a totally new suspension system to make life smoother for truck drivers. • Our full line of Pay scrapers includes this compact model for municipalities and contractors.

International leadership in grain drills has been confirmed by this new Canadian-designed model. • Massive strength is built into the M-Series truck, for cement mixers and other demanding applications. • This Canadian-designed crawler tractor is being exported in growing numbers. • The huge H-400 Pay loader is replacing the less mobile power shovel on many mining and construction projects.